

Annual
Financial Report

of the

New Jersey School Boards Association

for the

Years Ended

June 30, 2017 and 2016

Prepared by

New Jersey School Boards Association

Finance Department

NEW JERSEY SCHOOL BOARDS ASSOCIATION

I N D E X

	<u>PAGE NUMBER</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards	4-5
Management's Discussion and Analysis	6-11
BASIC FINANCIAL STATEMENTS	
<u>EXHIBITS</u>	
"A" Statements of Net Position - June 30, 2017 and 2016	12-13
"B" Statements of Revenue, Expenses and Changes in Net Position for the Years Ended June 30, 2017 and 2016	14
"C" Statements of Cash Flows for the Years Ended June 30, 2017 and 2016	15
Notes to Financial Statements - June 30, 2017 and 2016	16-35
SUPPLEMENTARY INFORMATION	
<u>SCHEDULES</u>	
"R-1" Schedule of Association's Proportionate Share of the Net Pension Liability – Public Employees Retirement System – Last Ten Years	36
"R-2" Schedule of Association's Contributions – Public Employees Retirement System – Last Ten Years	37
"R-3" Schedule Related to Accounting and Reporting for Pension (GASB 68) – Note to RSI III	38

FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08618

Report on the Financial Statements

We have audited the accompanying financial statements of the New Jersey School Boards Association, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Jersey School Boards Association, as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and the schedules related to accounting and reporting for pensions in Schedules R-1 through R-3 identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2017 on our consideration of the New Jersey School Boards Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the New Jersey School Boards Association's internal control over financial reporting and compliance.

September 15, 2017



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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

New Jersey School Boards Association
413 West State Street
Trenton, New Jersey 08618

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Jersey School Boards Association as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise New Jersey School Boards Association's financial statements, and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Jersey School Boards Association's control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of New Jersey School Boards Association's internal control. Accordingly, we do not express an opinion on the effectiveness of New Jersey School Boards Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

SUPLEE, CLOONEY & COMPANY

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Jersey School Boards Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

In this section of the annual report, management of the New Jersey School Boards Association (the "Association") presents a narrative discussion and analysis of the Association's financial activities for the years ended June 30, 2017 and June 30, 2016. This section of the report should be read in conjunction with the Association's audited financial statements and supplementary information for the years ended June 30, 2017 and 2016. The Association's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Audit Assurance

The unmodified opinion of our independent auditors, Suplee Clooney & Company, is included in this report.

Financial Highlights

Total assets and deferred outflow of resources at June 30, 2017 were \$20.4 million, an increase of \$3.5 million from the prior year's total assets of \$16.9 million. The change was comprised of an increase in cash of \$417,962, a decrease in accounts receivable of \$51,698, and a reduction in property, plant, and equipment and other assets of \$373,692, due to depreciation and amortization of these assets of \$484,283 and additions of \$110,591. Additionally, there was an increase in deferred outflow of resources of \$3.6 million due to accounting and reporting for pensions which is explained in Footnotes, 1, 6, and 7 and later in this discussion. Total liabilities were \$22.3 million in 2017 and \$16.8 million in 2016. An increase of \$67,949 in current liabilities was due to an increase of \$98 thousand in unearned revenue from Workshop vendors and a small decrease in accrued expenses of \$30 thousand. Net pension liabilities increased \$5.4 million also due to pension reporting, as well as a decrease in deferred inflow of resources of \$345,465.

Membership dues were held constant year to year. Membership programs decreased \$8,000 over the previous year. Net membership expenditures were comparable to the prior year if you exclude the strategic plan expense of \$13,811 in 2017 and \$208,388 in 2016, which is provided for in the Strategic Plan Fund.

Overhead expenditures increased \$829,903 in 2016-2017. Salaries have decreased by \$51,595, most of which is due to a reduction in the IT department. A decision was made to engage an outside technology company since it is a rapidly changing area, and the Mercadien Technologies agreement will give us access to specialists who will help us modernize and protect our technological infrastructure. Personnel administration has also decreased by \$94,080. Most of this decrease was due to the elimination of the following temporary professional help: business partnership consultant, IT help desk position, and a business systems analyst. The business systems analyst position became permanent in November 2015. Pension expense – non-cash portion, increased to \$1,475,006 from \$474,153 in 2016. These amounts are provided to us on the State of NJ Division of Pension and Benefits website.

The 2017 net Workshop accounts resulted in an overall increase of 20 percent over the 2016 Workshop. The largest revenue producing items of registration, commercial exhibits, and sponsorships resulted in an increase in Workshop revenues of 8.1%, while efforts by the Business Development Department decreased costs by 7%.

Fee-Based Services netted \$28,493 or 7.5% more than the previous year. Our new product, BoardDocs E-Governance, was a successful replacement of the product that was previously offered.

Conference receipts decreased by \$35,794 but the costs also decreased by \$30,113, resulting in a net decrease of 3.7%. We added some new programs such as: Student Achievement, the Opiate Crisis, Health Care Summit, and a very popular Board President's Conference. These new programs offset the loss of revenue from the Technology Conference Sponsors which was \$34,380 less than the previous year. The reduction in costs was attributable to program sites made available to us by our corporate partners.

During 2017, we received \$8,550 from PSEG Energy Resources & Trade LLC for the sale of Solar Renewable Energy Certificates (SRECs) and \$31,436 in 2016 for the same SRECS which were generated during Energy Years 2013, 2014, 2015, and 2016. An SREC represents the environmental benefits or attributes of one megawatt-hour of generation from an electric generation facility.

Cash and Investments of \$5.5 million was \$419,107 higher in 2017 than in 2016. Cash provided by operations was \$487,245 in 2017 and in 2016 cash used in operations was \$127,639. Cash flows used in investing activities was \$68,138 in 2017 versus \$22,236 in 2016.

Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information. The MD&A represents management's examination and analysis of the Association's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Association's budget, and bond resolutions and other management tools were used for this analysis.

The financial statements report information about the Association using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position presents the financial position of the Association on a full accrual historical cost basis. This statement presents information on all of the Association's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are indicators of whether the financial position of the Association is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets occurs.

Effective 2015 the Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Association participates in the pension plan sponsored by the State of New Jersey, which has a much publicized, large unfunded liability. Although the Association is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Association employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$20,568,235 and \$15,161,250 – shown within long-term liabilities – is a significant amount at June 30, 2017 and at June 30, 2016. Footnotes 1, 6 and 7 explain the pension plan accounting in greater detail.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Association's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The New Jersey School Boards Association was created by the State of New Jersey *N.J.S.A.* 18A:6-45 in 1914. The Association is a federation of all of the state's boards of education. Each district is required to pay dues annually to the Association. The mission of the Association is to provide training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

The Association's Associate Membership Program for Charter Schools is designed to help charter school trustees and management successfully carry out their responsibilities in policy, governance, finance and negotiations.

Use of Surplus

In May 2015, the Board of Directors approved a transfer from surplus to the Strategic Plan Fund in the amount of \$300,000 to cover the expenses of implementing elements of the 2015-2017 Strategic Plan. During 2016-2017, \$87,618 of this fund was used for a mobile advocacy tool, additional web redesign and the bulk of it for new computer hardware switches which are necessary to prevent future computer failure. During 2015-2016, \$208,388 of IT related expenses were incurred for projects such as mandatory training, web redesign, and requisition management. Additionally, in May 2017 the Board of Directors approved a transfer of surplus of \$225,000 to the Board Designated Fund for the replacement of the chiller at the Association's headquarters in Trenton. Thus far \$6,600 has been used for the purchase of the new equipment. The new chiller is expected to be installed in November 2017.

Contacting the Association's Management

If there are any questions concerning the Association's report or if additional information is needed, please contact Dr. Lawrence S. Feinsod, Executive Director; New Jersey School Boards Association, 413 West State Street, Trenton, New Jersey 08618.

Financial Analysis

The following comparative, condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning:

NEW JERSEY SCHOOL BOARDS ASSOCIATION
CONDENSED FINANCIAL STATEMENTS
CONDENSED STATEMENTS OF NET POSITION

	June 30		Variance	
	2017	2016	Dollars	%
Assets and Deferred Outflow of Resources				
Cash and Cash Equivalents - Unrestricted	\$ 5,562,446	\$ 5,143,339	\$ 419,107	8.1%
Cash - Restricted	45,563	46,708	(1,145)	-2.5%
Accounts Receivable - Net	121,332	173,030	(51,698)	-29.9%
Property, Plant and Equipment - Net	8,184,749	8,521,330	(336,581)	-3.9%
Other Assets	187,477	224,588	(37,111)	-16.5%
Deferred Outflow of Resources	6,340,627	2,754,113	3,586,514	130.2%
Total Assets and Deferred Outflow of Resources	\$ 20,442,194	\$ 16,863,108	\$ 3,579,086	21.2%
Liabilities and Deferred Inflow of Resources				
Current Liabilities	\$ 1,736,689	\$ 1,668,740	\$ 67,949	4.1%
Long-Term Liabilities	20,568,235	15,161,250	5,406,985	35.7%
Total Liabilities	\$ 22,304,924	\$ 16,829,990	\$ 5,474,934	32.5%
Deferred Inflow of Resources	\$ 349,851	\$ 695,316	\$ (345,465)	-49.7%
Net Position				
Board Designated	\$ 271,439	\$ 140,440	\$ 130,999	93.3%
Unrestricted - Undesignated	3,867,169	3,737,145	130,024	3.5%
Unrestricted - Net Pension Liability	(14,577,459)	(13,102,453)	(1,475,006)	11.3%
Net Investment in Facilities	8,184,749	8,521,330	(336,581)	-3.9%
Restricted	41,521	41,340	181	0.4%
Total Liabilities, Deferred Inflow of Resources and Net Position	\$ 20,442,194	\$ 16,863,108	\$ 3,579,086	21.2%

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	June 30		Variance	
	2017	2016	Dollars	%
Membership Dues	\$ 7,114,311	\$ 7,114,312	\$ (1)	0.0%
Membership Programs	301,593	309,609	(8,016)	-2.6%
Total Memberships	\$ 7,415,904	\$ 7,423,921	\$ (8,017)	-0.1%
Membership Expenditures:				
Committees	\$ 54,771	\$ 61,895	\$ (7,124)	-11.5%
Conferences	33,959	42,118	(8,159)	-19.4%
Membership Services & Programs	137,647	132,376	5,271	4.0%
IT & Strategic Plan Fund Expenses	13,811	208,388	(194,577)	-93.4%
Publications included with Memberships, Net	41,060	35,068	5,992	17.1%
Travel & Liaison	110,400	118,045	(7,645)	-6.5%
Total Memberships Expenditures	\$ 391,648	\$ 597,890	\$ (206,242)	-34.5%
Overhead:				
Salaries	\$ 5,639,734	\$ 5,691,329	\$ (51,595)	-0.9%
Personnel Administration & Training	2,220,734	2,314,814	(94,080)	-4.1%
Pension Expense - non-cash portion	1,475,006	474,153	1,000,853	211.1%
Headquarters Housing	359,295	374,908	(15,613)	-4.2%
Amortization & Depreciation Expense	484,283	511,228	(26,945)	-5.3%
Insurance	83,565	81,184	2,381	2.9%
Office Expense	299,435	284,533	14,902	5.2%
Total Overhead Expenditures	\$ 10,562,052	\$ 9,732,149	\$ 829,903	8.5%
Net Memberships	\$ (3,537,796)	\$ (2,906,118)	\$ (631,678)	21.7%
Workshop Receipts	\$ 2,036,205	\$ 1,883,246	\$ 152,959	8.1%
Workshop Expenditures	770,206	827,870	(57,664)	-7.0%
Net Workshop	\$ 1,265,999	\$ 1,055,376	\$ 210,623	20.0%
Fee Based Service Receipts	\$ 568,496	\$ 493,109	\$ 75,387	15.3%
Fee Based Service Expenditures	159,818	112,924	46,894	41.5%
Net Fee Based Services	\$ 408,678	\$ 380,185	\$ 28,493	7.5%

NEW JERSEY SCHOOL BOARDS ASSOCIATION
CONDENSED FINANCIAL STATEMENTS
CONDENSED STATEMENTS OF NET POSITION

	June 30		Variance	
	<u>2017</u>	<u>2016</u>	<u>Dollars</u>	<u>%</u>
Conference Receipts	\$ 180,631	\$ 216,425	\$ (35,794)	-16.5%
Conference Expenditures	34,723	64,836	(30,113)	-46.4%
Net Conferences	<u>\$ 145,908</u>	<u>\$ 151,589</u>	<u>\$ (5,681)</u>	<u>-3.7%</u>
Net Publications	\$ 31,983	\$ 29,513	\$ 2,470	8.4%
Net iSTEAM & Sustainability	\$ 5,463	\$ 74,486	\$ (69,023)	-92.7%
Net Misc. Receipts	\$ 94,151	\$ 102,299	\$ (8,148)	-8.0%
Investment Income	<u>\$ 35,231</u>	<u>\$ 13,256</u>	<u>\$ 21,975</u>	<u>165.8%</u>
Net Loss	\$ (1,550,383)	\$ (1,099,414)	\$ (450,969)	41.0%
Net Position, Beginning of Year	<u>\$ (662,198)</u>	<u>\$ 437,216</u>	<u>\$ (1,099,414)</u>	<u>-251.5%</u>
Net Position, End of Year	<u><u>\$ (2,212,581)</u></u>	<u><u>\$ (662,198)</u></u>	<u><u>\$ (1,550,383)</u></u>	<u><u>234.1%</u></u>

BASIC FINANCIAL STATEMENTS

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and Cash Equivalents - unrestricted	\$ 5,562,446	\$ 5,143,339
Cash - restricted	45,563	46,708
Accounts Receivable	121,332	173,030
Deferred Pension - Current Portion	36,949	44,333
Prepaid Expenses	150,528	143,306
	<u>5,916,818</u>	<u>5,550,716</u>
<u>Total Current Assets</u>	<u>\$ 5,916,818</u>	<u>\$ 5,550,716</u>
Fixed Assets:		
Land for HQ	1,686,534	1,686,534
Land	139,040	139,040
Building and Building Improvements	10,399,125	10,385,761
Furniture and Fixtures	771,075	766,637
Computer Hardware and Software	1,711,997	1,626,430
Telephone System	38,907	38,907
Vehicles	59,669	59,669
	<u>14,806,347</u>	<u>14,702,978</u>
Less: Accumulated Depreciation and Amortization	<u>(6,621,598)</u>	<u>(6,181,648)</u>
	<u>8,184,749</u>	<u>8,521,330</u>
<u>Net Fixed Assets</u>	<u>\$ 8,184,749</u>	<u>\$ 8,521,330</u>
Other Assets		
Deferred Pension - Non-Current Portion	<u>-</u>	<u>36,949</u>
	<u>-</u>	<u>36,949</u>
<u>Total Other Assets</u>	<u>\$ -</u>	<u>\$ 36,949</u>
	<u>14,101,567</u>	<u>14,108,995</u>
<u>Total Assets</u>	<u>\$ 14,101,567</u>	<u>\$ 14,108,995</u>
<u>Deferred Outflow of Resources</u>		
Pension Related	<u>6,340,627</u>	<u>2,754,113</u>
	<u>20,442,194</u>	<u>16,863,108</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 20,442,194</u>	<u>\$ 16,863,108</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

<u>LIABILITIES</u>	<u>2017</u>	<u>2016</u>
Current Liabilities:		
Accounts Payable & Accrued Expenses	\$ 322,009	\$ 338,356
Payroll Taxes	55,675	56,533
Unearned Revenue	877,124	779,008
Accrued Vacation Payable	481,881	494,843
<u>Total Current Liabilities</u>	<u>\$ 1,736,689</u>	<u>\$ 1,668,740</u>
Long-term Liabilities:		
Net Pension Liability	\$ 20,568,235	\$ 15,161,250
<u>Total Liabilities</u>	<u>\$ 22,304,924</u>	<u>\$ 16,829,990</u>
<u>Deferred Inflow of Resources</u>		
Pension Related	\$ 349,851	\$ 695,316
<u>Net Position</u>		
Unrestricted - Board Designated:		
Building Needs Allocation	\$ 265,692	\$ 47,085
Strategic Plan Allocation	5,747	93,355
Total Unrestricted - Board Designated	\$ 271,439	\$ 140,440
Unrestricted - Undesignated	\$ 3,867,169	\$ 3,737,145
Unrestricted - Net Pension Liability	(14,577,459)	(13,102,453)
Net Investment in Capital Assets	8,184,749	8,521,330
Restricted	41,521	41,340
<u>Total Net Position</u>	<u>\$ (2,212,581)</u>	<u>\$ (662,198)</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION</u>	<u>\$ 20,442,194</u>	<u>\$ 16,863,108</u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Membership Dues	\$ 7,114,311	\$ 7,114,312
Membership Programs	301,593	309,609
Total Memberships	<u>7,415,904</u>	<u>7,423,921</u>
Membership Expenditures:		
Committees	\$ 54,771	\$ 61,895
Conferences	33,959	42,118
Membership Services & Programs	137,647	132,376
Strategic Plan Fund Expenses	13,811	208,388
Publications included with Memberships, Net	41,060	35,068
Travel & Liaison	110,400	118,045
Total Memberships Expenditures	<u>391,648</u>	<u>597,890</u>
Overhead:		
Salaries	\$ 5,639,734	\$ 5,691,329
Personnel Administration & Training	2,220,734	2,314,814
Pension Expense-non-cash portion	1,475,006	474,153
Headquarters Housing	359,295	374,908
Amortization & Depreciation Expense	484,283	511,228
Insurance	83,565	81,184
Office Expense	299,435	284,533
Total Overhead Expenditures	<u>10,562,052</u>	<u>9,732,149</u>
Net Memberships	<u>\$ (3,537,796)</u>	<u>\$ (2,906,118)</u>
Workshop Receipts	\$ 2,036,205	\$ 1,883,246
Workshop Expenditures	770,206	827,870
Net Workshop	<u>1,265,999</u>	<u>1,055,376</u>
Fee Based Service Receipts	\$ 568,496	\$ 493,109
Fee based Service Expenditures	159,818	112,924
Net Fee Based Services	<u>408,678</u>	<u>380,185</u>
Conference Receipts	\$ 180,631	\$ 216,425
Conference Expenditures	34,723	64,836
Net Conferences	<u>145,908</u>	<u>151,589</u>
Net Publications	<u>\$ 31,983</u>	<u>\$ 29,513</u>
Net iSTEAM & Sustainability	\$ 5,463	\$ 74,486
Net Misc. Receipts	<u>\$ 94,151</u>	<u>\$ 102,299</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Operating Loss	\$ (1,585,614)	\$ (1,112,670)
Investment Income	\$ 35,231	\$ 13,256
Net Loss	\$ <u>(1,550,383)</u>	\$ <u>(1,099,414)</u>
Net Position, Beginning of Year	\$ <u>(662,198)</u>	\$ <u>437,216</u>
Net Position, End of Year	\$ <u><u>(2,212,581)</u></u>	\$ <u><u>(662,198)</u></u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATIONSTATEMENTS OF CASH FLOWFOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities:</u>		
Collections from Customers	\$ 10,666,890	\$ 10,468,548
Payments to Vendors and Employees	<u>(10,179,645)</u>	<u>(10,596,187)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 487,245</u>	<u>\$ (127,639)</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of Equipment	\$ (103,369)	\$ (35,492)
Interest	<u>35,231</u>	<u>13,256</u>
Net Cash Used in Investing Activities	<u>\$ (68,138)</u>	<u>\$ (22,236)</u>
Net Change in Cash and Cash Equivalents	\$ 419,107	\$ (149,875)
Cash and Cash Equivalents, Beginning of Year	<u>\$ 5,143,339</u>	<u>\$ 5,293,214</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,562,446</u></u>	<u><u>\$ 5,143,339</u></u>
Reconciliation of Operating Income to:		
Net Cash Provided by Operating Activities:		
Operating Loss	\$ (1,585,614)	\$ (1,112,670)
Depreciation	414,904	410,594
Amortization	25,046	56,301
Pension Expense-non-cash portion	1,475,006	474,153
Bad Debt Allowance	3,000	-
Deferred Compensation	44,333	44,333
Changes in Operating Assets and Liabilities:		
Accounts Receivable	48,698	27,994
Restricted Cash	1,145	121,333
Prepaid Expenses	(7,222)	(48,842)
Accounts Payable and Accrued Expenses	(30,167)	(104,268)
Other Liabilities	<u>98,116</u>	<u>3,433</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 487,245</u></u>	<u><u>\$ (127,639)</u></u>

The accompanying Notes are an integral part of these financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The New Jersey School Boards Association (the "Association") was created by the State of New Jersey N.J.S.A. 18A:6-45 in 1914. The Association is a state federation of all district boards of education. Each district is required to annually pay dues to the Association. The mission of the Association is to provide training, advocacy and support to advance public education and promote the achievement of all students through effective governance.

Reporting Entity

The Association's financial statements include all operations and management of the organization. The Board of Directors consists of the officers of the Association and 26 members as follows:

- a. One from each county of the State, who shall be elected by the district boards of education acting through the school boards association of each county;
- b. Three members elected by the members of the Urban Boards Committee, provided that no member elected pursuant to this subsection be a member of a local board on which another member of the Board of Directors already serves;
- c. One member who shall be appointed by the president with the advice and consent of the Board of Directors, and who shall be a member of a county vocational board of education, provided that no member appointed pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves;
- d. One member elected by the members of the County Association Leadership, provided that no member elected pursuant to this subsection may be a member of a local board on which another member of the Board of Directors already serves; and
- e. Any board of education member who is elected as an officer or board of directors member of the National School Boards Association, and whose district board of education is in good standing with the Association, shall serve as a non-voting member of the Board of Directors for the duration of his or her NSBA term of office.

Regular members of the Board of Directors other than officers shall be elected or appointed for a term of three years. There is one alternate for each director, selected in the same manner as the director by the same authority, for a three-year term. The officers are elected for a two-year term. Among other duties and authority, the Board of Directors implements the purposes of the Association and exercises general supervision over its affairs, between meetings of the delegates; they adopt the annual budget and approve the annual audit of the Association; and are authorized to transact the business of the Association and enter into contracts on behalf of the Association. There are no additional entities required to be included in the reporting entity and the Association is not included in any other reporting entity.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Association implemented GASB 68 in 2015. This Statement amends GASB (Governmental Accounting Standards Board) Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing information useful for, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement.

The Association has also implemented GASB Statement No. 71, Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources.

In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

At transition to Statement No. 68, if it is not practical for an employer or non-employer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a governmental entity recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

Under GAAP (Generally Accepted Accounting Principles), the Association is required to recognize the pension liability in the Statement of Net Position and Notes to the Financial Statements in accordance with GASB No. 68. The liability required to be displayed by GASB No. 68 is displayed as a separate line item in the Long-Term Liabilities area of the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Association has only one item that qualifies for reporting in this category, deferred amounts related to pensions.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Association has one item that qualifies in this category, deferred amount related to pensions.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for proprietary funds as prescribed by the GASB. Proprietary fund revenues and expenses are recognized on the accrual basis. Accordingly, revenues are recognized in the accounting period in which they are earned and become measurable. Membership dues collected in the current fiscal year, which are due in the next fiscal year, are recorded as unearned revenue. Expenses are recognized in the period incurred if measurable. Under GASB Statement No. 34, for financial reporting purposes, the Association is considered a special-purpose government entity engaged only in business-type activities.

Concentration of Credit Risk

The Association maintains its cash balances in financial institutions, which are insured by the Federal Deposit Insurance Corporation up to \$250,000 each and the remaining bank balance is covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA). Our bank, Investors Bank, is certified by the Department of Banking and Insurance for participation in the GUDPA system.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within 3 months of purchase. Balances may exceed FDIC limits. The Association believes it is not exposed to any significant credit risks.

Reclassifications

A reclassification has been made to the 2016 financial statements to reclassify the non-current portion of pension expense to operating loss in the overhead section of the Statements of Revenue, Expenses, and Changes in Net Position. This reclassification had no impact on the changes in net position.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consists of various amounts receivable from member boards of education and corporate partners for conferences, fee-based services, advertising, and other member program services. Accounts deemed uncollectible are directly written off.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The Association classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments and are stated at cost. All other investments are stated at fair value. Authorized investments include the following:

- a. Certificates of Deposit or other interest-bearing deposits of New Jersey financial institutions, which are certified as Public Depositories for accepting public funds by the State Commissioner of Banking, according to the provisions of the Governmental Unit Deposit Protection Act (GUDPA). There is no dollar limitation on funds placed in GUDPA depositories.
- b. Money market funds of authorized financial institutions (GUDPA depositories).
- c. The State of New Jersey Cash Management Fund.
- d. Obligations of the U.S. Government or obligations guaranteed by the U.S. Government.

Deferred Pension Cost

The deferred pension cost is being amortized on a straight-line method over the 15 year remaining life of the agreement with the State of New Jersey. Amortization expense amounted to \$44,333 for each of the fiscal years ended June 30, 2017 and 2016.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Asset lives used in the calculation of depreciation are as follows:

Buildings and Improvements	33 ½ years
Office Equipment	5 years
Furniture and Fixtures	10 years
Telephone System	10 years
Computers	3 years
Vehicles	3 years

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is a governmental unit as described in Section 170(c) (1) of the Internal Revenue Code and in accordance with Section 115 of the Code, is not subject to income taxes.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(2) CASH – RESTRICTED

The Association's cash restricted accounts consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Self-Funded Unemployment Benefits	\$41,521	\$41,340
Trust – ACES	<u>4,042</u>	<u>5,368</u>
	<u>\$45,563</u>	<u>\$46,708</u>

(3) INVESTMENTS

At June 30, 2017 and 2016, the Association had cash to invest in a certificate of deposit. The rates of return were very low, so the cash is temporarily in a money market and interest-bearing account.

(4) DESIGNATED NET POSITION

The Association has designated certain funds as unrestricted net position.

The Strategic Plan Fund received a transfer of \$300,000 which was approved by the Board of Directors in May 2015 to cover the expenses of implementing elements of the 2015-2017 strategic plan. This fund spent \$87,618 for a mobile advocacy tool, additional web redesign and for new computer hardware switches during 2016-2017. During 2015-2016, \$208,388 was spent improving on-line mandatory training and a new web design for our website.

The Building Fund was established to provide the resources to pay for the renovation of the Trenton, NJ headquarters. At the May 2017 Board of Directors meeting, the Board unanimously approved a transfer from surplus of \$225,000 to replace the chiller which was not replaced during the renovation of the headquarters in 2010. \$6,600 was spent on the proposal of the new chiller. During the previous year, \$4,603 was expended toward our efforts to achieve a Leadership in Energy & Environmental Design (LEED) rating through the U.S. Green Building Council (USGBC). This rating is part of the existing building operation and maintenance (EBO+M) rating system available through the USGBC. The fund had a balance of \$265,692 and \$47,085 at June 30, 2017 and 2016, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(5) PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows for June 30:

	<u>2017</u>	<u>2016</u>
Property and Equipment		
Land in Hamilton, NJ	\$ 1,686,534	\$ 1,686,534
Land in Trenton, NJ	139,040	139,040
Building and Improvements	10,399,125	10,385,761
Furniture and Fixtures	658,270	653,831
Computer	1,711,997	1,626,432
Office Equipment	112,805	112,805
Telephone System	38,907	38,907
Vehicles	<u>59,669</u>	<u>59,668</u>
Total Property and Equipment	\$ <u>14,806,347</u>	\$ <u>14,702,978</u>

	<u>2017</u>	<u>2016</u>
Accumulated Depreciation and Amortization		
Building and Improvements	\$ 4,353,109	\$ 4,047,321
Furniture and Fixtures	451,828	386,001
Computer	1,630,413	1,580,321
Office Equipment	109,247	106,971
Telephone System	35,447	31,556
Vehicles	<u>41,554</u>	<u>29,478</u>
Less: Total Accumulated Depreciation and Amortization	<u>6,621,598</u>	<u>6,181,648</u>
	\$ <u>8,184,749</u>	\$ <u>8,521,330</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January 1955 under the provisions of *N.J.S.A. 43:15A* to provide coverage to substantially all full time employees of the State or any county, municipality, school board or public agency provided the employee is not a member of another state-administered retirement system.

Recent legislation has changed the enrollment and retirement criteria for PERS members enrolled as of certain dates and defined them as tiers in the following manner:

Tier 1 – Members who were enrolled prior to July 1, 2007

Tier 2 – Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008

Tier 3 - Members who were eligible to enroll on or after November 2, 2008 and on or before May 21, 2010

Tier 4 - Members who were eligible to enroll after May 21, 2010 and before June 28, 2011

Tier 5 - Members who were eligible to enroll on or after June 28, 2011

The retirement age requirement for PERS members is age 60 for Tier 1 and Tier 2 members, age 62 for Tier 3 and Tier 4 members, and age 65 for Tier 5 members. The formula to calculate the maximum annual pension for Tier 1, Tier 2, and Tier 3 is:

<u>Years of Service</u>	X	Final		Annual
55		Average	=	Retirement
		Salary		Allowance

The formula to calculate the maximum annual pension for Tier 4 and Tier 5 is:

<u>Years of Service</u>	X	Final		Annual
60		Average	=	Retirement
		Salary		Allowance

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS

Public Employees' Retirement System (PERS) (Continued)

Final Average Salary for Tier 1, Tier 2, and Tier 3 members means the average salary for the 36 months immediately preceding retirement. For Tier 4 and Tier 5 members the Final Average Salary is the average of their salary for the last 60 months immediately preceding retirement.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy for PERS

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by legislation. Chapter 78, P.L. 2011 provided for an increase in the employee contribution rates: from 5.5 percent to 6.5 percent plus an additional 1 percent phased-in over seven years beginning in the first year, meaning after 12 months, after the bill's effective date for PERS which was June 28, 2011. PERS provides for employee contributions of above mentioned percentages of employees' annual compensation, as defined. The Association is required to contribute at an actuarially determined rate to PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The Association made contributions of \$621,981 and \$580,658 to PERS for the fiscal years ended June 30, 2017 and 2016, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(6) PENSION AND OTHER DEFERRED COMPENSATION PLANS (CONTINUED)

Deferred Compensation Plan

The Association's deferred compensation program is offered to all Association employees. The program was created in accordance with Sections 403(b) and 457 of the Internal Revenue Code. The program is offered by the Association through two program administrators, The Variable Annuity Life Insurance Company ("VALIC") and The Metropolitan Life Insurance Company ("Metlife"). Amounts deferred under this plan are to be held for the exclusive benefit of participating employees and are not accessible by the Association or its creditors.

The Association has a Deferred Compensation Plan pursuant to Section 403(b) of the Internal Revenue Code. The Association does not contribute to the Plan. All amounts deferred under the 403(b) plan are the property of the employee.

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION – GASB 68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" and is effective for fiscal years beginning after June 15, 2014. This statement requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating local unit as of June 30, 2017. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Under accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, any unfunded net pension liability of the municipality, allocated by the State of New Jersey, is not required to be reported in the financial statements as presented and any pension contributions required to be paid are raised in that year's budget and no liability is accrued at June 30, 2017.

Public Employees Retirement System (PERS)

At June 30, 2016, the State reported a net pension liability of \$20,568,235.00 for the Association's proportionate share of the total net pension liability. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The Association's proportion of the net pension liability was based on a projection of the Association's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Association's proportion was 0.0694470868 percent, which was an increase of 0.0019076523 percent from its proportion measured as of June 30, 2015.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION – GASB 68

Public Employees Retirement System (PERS) (Continued)

For the year ended June 30, 2016, the State recognized an actuarially determined pension expense of \$2,091,930.00 for the Association's proportionate share of the total pension expense. The pension expense recognized in the Association's financial statement based on the April 1, 2017 billing was \$621,981.

At June 30, 2016, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	-	\$ 382,507
Changes of assumptions		4,260,640
Net difference between projected and actual earnings on pension plan investments		784,286
Changes in proportion and differences between Association contributions and proportionate share of contributions	<u>\$349,851</u>	<u>913,194</u>
	<u>\$349,851</u>	<u>\$6,340,627</u>

Other local amounts reported by the State as the Association's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$1,353,721
2018	1,353,721
2019	1,528,698
2020	1,331,843
2021	<u>422,792</u>
	<u>\$5,990,775</u>

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION – GASB 68

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which rolled forward to June 30, 2016. These actuarial valuations used the following assumptions:

	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Inflation	3.04 Percent	3.08 Percent
Salary Increases (based on age)		
Though 2026	2.15-4.40 Percent	1.65-4.15 Percent
Thereafter	3.15-5.40 Percent	2.65-5.15 Percent
Investment Rate of Return	7.90 Percent	7.65 percent

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA.

In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION – GASB 68

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table

<u>Asset Class</u>	<u>June 30, 2016</u>		<u>June 30, 2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad U.S. Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Markets	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Returns	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	(0.25)%	3.50%	(0.40)%
REIT	5.25%	5.63%	4.25%	5.12%
	<u>100.00%</u>		<u>100.00%</u>	

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(7) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION – GASB 68

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2016 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	<u>June 30, 2016</u>		
	<u>1%</u> <u>Decrease</u> <u>2.98%</u>	<u>At Current</u> <u>Discount Rate</u> <u>3.98%</u>	<u>1%</u> <u>Increase</u> <u>4.98%</u>
Association's proportionate share of the pension liability	\$25,203,972	\$20,568,235	\$16,741,033

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(8) EMPLOYEE HEALTH INSURANCE

Contributions by Employees

Participating Association staff members contribute from 10 percent to 35 percent of the total premium cost of health insurance. In the same law (Chapter 78, P.L. 2011) referred to above in the Funding Policy for PERS section, health care contributions are incrementally changing over time, beginning June 28, 2011. This change will be determined by type of coverage: single, family, member/spouse/partner/child coverage, and by salary.

In 2017 and 2016, the Association paid \$995,931 and \$1,051,141, respectively, for staff health care premiums. This was offset by contributions of \$234,914 and \$244,196, or 23.6 percent and 23.2 percent, respectively.

(9) POST RETIREMENT HEALTH INSURANCE

The Association provides post-retirement health benefits to employees who retired with 25 years or more of service within the system by December 1, 2001. Employees with ten (10) or more years of service may also qualify for benefits under the Disability Retirement Provisions of the Plan. There are currently ten retirees who meet this requirement and are receiving benefits. In addition, there are two current employees who are eligible upon their retirement.

Plan Description

The Association contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 or by visiting their website at <http://www.state.nj.us/treasury/pensions>.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(9) POST RETIREMENT HEALTH INSURANCE (CONTINUED)

Funding Policy

Contributions to pay for the health premiums of participating employees in the SHBP are billed to the Association on a monthly basis. Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. In accordance with Chapter 62, P.L. 1994, post-retirement medical benefits have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. The Association's contributions to SHBP for the years ended June 30, 2017 and 2016 were \$115,845 and \$107,392, respectively, which equaled the required contributions for each year. Additionally, the Association reimbursed ten retirees in 2017 and in 2016 for Part B Federal Medicare premiums, for a cost of \$17,649 and \$17,601 for the years ended June 30, 2017 and 2016, respectively.

(10) LEASES

Operating Leases

The Association currently leases various equipment under non-cancelable operating lease agreements expiring on various dates through June 30, 2021. Future minimum lease payments under all non-cancelable operating leases as of June 30, 2017 are as follows:

	<u>Amounts</u>
Year Ending June 30:	
2018	39,402
2019	39,402
2020	39,402
Thereafter	<u>16,321</u>
Total	<u>\$134,527</u>

Total rent expenses, inclusive of usage charges on leased equipment, included as a charge to operations amounted to \$31,052 and \$35,621 in 2017 and 2016, respectively.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(11) RELATED ORGANIZATION

The Electric Discount and Energy Competition Act of 1999 designated the New Jersey School Boards Association ("NJSBA") as a "governmental aggregator" for school district purchasing of deregulated electricity and gas. The New Jersey School Boards Association, the New Jersey Association of School Business Officials ("NJASBO"), and the New Jersey Association of School Administrators ("NJASA") signed a formal agreement to co-sponsor the Alliance for Competitive Energy Services, ("ACES") for the purpose of local school district joint purchasing of electricity and other energy services on the open market. Because of the legal designation of "governmental aggregator", NJSBA is prohibited from realizing excess revenues in its role as a sponsor of ACES. The financial records of ACES are maintained on a calendar-year basis and are subject to independent audit.

Gabel Associates of Highland Park, New Jersey, an energy environmental and public utility consulting firm, is under contract to perform the administrative functions of ACES. All fees due to Gabel Associates are contingent upon the successful performance of the Alliance in securing and delivering discounted energy.

The NJSBA, NJASBO, and NJASA formed a Trust that agreed to share equally the direct administrative costs and expenses that were incurred by ACES during the startup process.

(12) USE OF SURPLUS

At the May 15, 2015 Board of Directors meeting, \$300,000 of surplus was authorized to cover the expenses of implementing elements of the 2015-2017 Strategic Plan. During 2016-2017, \$87,618 was spent on a mobile advocacy tool, web redesign and new computer switches. During 2015-2016, \$208,388 of IT related expenses were incurred for projects such as on-line mandatory training, web redesign of our website, and requisition management. Additionally, in May 2017 the Board of Directors approved a transfer of surplus of \$225,000 to the Board Designated Fund for the replacement of the chiller at the Association's headquarters in Trenton. Thus far, \$6,000 has been used for the proposal of the new equipment. During 2015-2016, \$4,603 was used to pursue our goal of LEED certification.

(13) COMMITMENTS AND CONTINGENCIES

In the opinion of management, claims or lawsuits incidental to the business of the Association have been adequately provided for in the financial statements.

NEW JERSEY SCHOOL BOARDS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

(14) FUTURE COMMITMENTS

The Association has entered into various contracts with vendors and facilities for workshops and conferences extending into the future. The values of these contracts at June 30, 2017 are \$459,911.

The Association also has a commitment for improvements to its Trenton offices in the amount of \$200,000. These improvements are expected to be completed in the 2017-2018 fiscal year.

(15) SUBSEQUENT EVENTS

The Association has evaluated subsequent events occurring after the financial statement date through September 15, 2017, which is the date the financial statements were available to be issued. Based on this evaluation, the Association has determined that no subsequent events have occurred which require disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending <u>June 30,</u>	Association's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	Association's Proportionate Share of the Net Pension <u>Liability (Asset)</u>	Association's Covered-Employee <u>Payroll</u>	Association's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- <u>Employee Payroll</u>	Plan Fiduciary Net Position as a percentage of the total <u>Pension Liability</u>
2014	0.0627282930%	\$ 11,744,452	\$ 4,519,279	259.87%	40.71%
2015	0.0675394347%	\$ 15,161,250	\$ 4,614,496	328.56%	42.74%
2016	0.0694470870%	\$ 20,568,235	\$ 5,032,005	408.75%	40.14%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULE OF THE ASSOCIATION'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Association's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 517,123	\$ 517,123	\$ -0-	\$ 4,519,279	11.44%
2015	\$ 580,658	\$ 580,658	\$ -0-	\$ 4,614,496	12.58%
2016	\$ 616,958	\$ 616,958	\$ -0-	\$ 5,032,005	12.26%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

NEW JERSEY SCHOOL BOARDS ASSOCIATION
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED JUNE 30, 2017

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (3.80%) to the current measurement date (2.85%), resulting in a change in the discount rate from 4.90% to 3.98%. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.